

Message Text

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INFO OCT-01 EUR-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 4682

INFO AMEMBASSY BONN PRIORITY

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TAGS: ECON, UK, US

SUBJECT: HIGHLIGHTS OF LONDON PRESS COVERAGE OF PRESIDENT
FORD'S ECONOMIC PROGRAM

BEGIN SUMMARY: PRESIDENT FORD'S ECONOMIC PROGRAM RECEIVED
FRONT PAGE COVERAGE IN MOST LONDON NEWSPAPERS. THE MAJOR
PORTION OF THE COVERAGE WAS LIMITED TO FACTUAL PRESENTA-
TION OF THE DETAILS; EDITORIAL COMMENT WAS MIXED. BOTH
THE FINANCIAL TIMES AND THE TIMES CITED THAT WHETHER OR
NOT THE PROGRAM IS EFFECTIVE NOW DEPENDS ON SWIFT ACTION
BY THE CONGRESS. THE MOST POSITIVE COMMENTS SEEM TO BE IN
RESPONSE TO THE IMPLIED RELAXATION OF MONETARY RESTRAINT;
THE MOST NEGATIVE TO THE LACK OF DIRECT POLICY ACTION TO
REDUCE ENERGY CONSUMPTION. END SUMMARY

1. PRESIDENT FORD'S ECONOMIC PROGRAM TO CONGRESS RECEIVED
WIDESPREAD, FRONT PAGE PRESS COVERAGE IN LONDON. ARTICLES
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DATELINED WASHINGTON PRESENTED FAIRLY BROAD DETAILS OF THE
PROGRAM, MIXED WITH EXPLANATORY COMMENT. TIMES AND FIN-

ANCIAL TIMES ARTICLES POINTED TO THE FACT THAT SWIFT CONGRESSIONAL ACTION IS NOW NECESSARY, OTHERWISE THE WHOLE STRATEGY WILL FALL BY THE WAYSIDE.

2. IT IS DIFFICULT TO GET A PRECISE READING ON THE GENERAL REACTION TO THE PROGRAM. IN THE FINANCIAL TIMES, BOTH IN THE PAUL LEWIS FRONT PAGE ARTICLE AND IN EDITORIAL, THERE WAS INDICATED A SENSE OF RELIEF THAT THE PACKAGE DID NOT CONTAIN POLICY RECOMMENDATIONS, HIGHLY DEFLATIONARY IN NATURE. QUOTE IN TERMS OF OVERALL DEMAND MANAGEMENT, THE NEW MEASURES ARE JUDGED ROUGHLY NEUTRAL BY THE ADMINISTRATION, WHICH SUGGEST THE PROSPECTS FOR THE U.S. ECONOMY WILL NOT BE GREATLY AFFECTED IF CONGRESS SHOULD FAIL TO APPROVE THEM. HOWEVER, THOSE IN EUROPE WHO FEARED PRESIDENT FORD WOULD DRAG THE WORLD INTO RECESSION BY AN OVERLY DEFLATIONARY POLICY MAY FEEL SOMEWHAT REASSURED UNQUOTE.

2. THE FT EDITORIAL COMMENT GOES A BIT FURTHER AND STATES THAT WHILE THE STRATEGY OUTLINED GIVES LITTLE HOPE FOR AN IMMEDIATE REDUCTION OF U.S. INFLATION, THE QUOTE NEUTRAL UNQUOTE EFFECT ON DEMAND IS WELCOMED. THE SHIFT IN EMPHASIS FROM MONETARY POLICY TO COUNTERACT INFLATION IS WELCOMED. QUOTE MOST WELCOME OF ALL IS THE INFERENCE TO BE DRAWN THAT THE WHOLE WEIGHT OF COUNTER INFLATION POLICY MAY NOT HAVE TO BE BORNE BY MONETARY RESTRAINT ALONE . . . IF THE RELATIVE RELAXATION (OF MONETARY RESTRAINT) IMPLIED IN THIS ANNOUNCEMENT TURNS OUT TO BE REAL, AT LEAST THE EXTERNAL CONSTRAINT ON BRITISH INTEREST RATES WOULD BE EASED UNQUOTE.

3. FRANK VOGEL IN THE TIMES WRITES, QUOTE THE PACKAGE IS NEITHER AS DEFLATIONARY AS WAS EXPECTED NOR DOES IT GO FAR ENOUGH TOWARDS HELPING THE UNEMPLOYED AND RELIEVING THE LOWEST INCOME GROUPS FROM THE BURDEN OF INFLATION, AS MANY LEADING DEMOCRATS HAD WANTED UNQUOTE. IN SUMMATION, HE WRITES, QUOTE HIS (PRESIDENT FORD) PROPOSALS ARE UNLIKELY TO ALLAY WIDESPREAD FEARS ABROAD OF WORSENING INTERNATIONAL STAGFLATION UNQUOTE.

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4. HELLA PICK, IN THE GUARDIAN, WAS MORE NEGATIVE IN TONE. QUOTE MR. FORD'S MARCHING ORDERS FOR THE ANTI-INFLATION BATTLE ARE HIGH ON SLOGANS, AND APPEALS FOR VOLUNTARY RESTRAINT, ESPECIALLY ON THE USE OF ENERGY, BUT VERY LOW ON MANDATORY CONTROLS AND LEGISLATION PROPOSALS UNQUOTE. THE ARTICLE CONTINUED IN A SOMEWHAT CRITICAL PRESENTATION OF THE USE OF VOLUNTARY RESTRAINT TO REDUCE ENERGY CONSUMPTION RATHER THAN A PACKAGE OF SPECIFIC ACTIONS.

5. IN FOLLOWUP ARTICLES AND EDITORIALS, OCTOBER 10, THE

GENERAL TONE OF THE LONDON PRESS WAS MORE SKEPTICAL AND PESSIMISTIC AS TO THE EFFECTS OF PRESIDENT FORD'S ECONOMIC PACKAGE. THE GENERAL PRESENTATION ECHOED THE FIRST DAY REPORTS, CITING THE FEAR THAT CONGRESS MIGHT DELAY ACTION ON THE LEGISLATIVE PROPOSALS. THERE WAS ALSO SKEPTICISM

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OVER WHETHER THE PACKAGE MIGHT BE QUOTE TOO LITTLE, TOO LATE UNQUOTE.

6. IN A TIMES EDITORIAL, THE ECONOMIC PACKAGE WAS DESCRIBED AS FOLLOWS: QUOTE . . . THE PROBABLE IMPACT OF THE MEASURES ANNOUNCED BY MR. FORD IS FAR FROM CLEAR. IT IS NOT EVEN EVIDENT WHETHER THEY WILL CONTRIBUTE TO A FASTER OR SLOWER RECOVERY FROM THE PRESENT AMERICAN RECESSION AND WHETHER THEY WILL CONTRIBUTE TO A FASTER OR SLOWER RATE OF INFLATION. ONE REASON FOR THIS OBSCURITY IS THAT WHILE THE PRESIDENT PROPOSES, THE CONGRESS DISPOSES UNQUOTE.

7. ANTHONY HARRIS, IN THE FINANCIAL TIMES, PRESENTED A SIMILAR VIEW TO THAT CITED ABOVE, ADDING ALSO THAT EVEN WITH PROMPT CONGRESSIONAL ACTION, THERE WOULD MOST LIKELY

BE ADDITIONAL MEASURES FORTHCOMING LATER THIS YEAR. IN
HIS OPINION, THE U.S. WILL BE FORCED, IN TIME, TO INSTI-
TUTE ADDITIONAL MEASURES OF A MORE INTERVENTIONIST NATURE.

8. WEAKENING OF THE DOLLAR OCTOBER 9 GENERALLY ATTRIBUTED
TO POOR EXCHANGE MARKET REACTION TO THE MEASURES. TIMES
ARTICLE SAID QUOTE CURRENCY DEALERS VIEWED PRESIDENT
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FORD'S ECONOMIC PACKAGE AS A CONSIDERABLE ANTI-CLIMAX,
PARTICULARLY AFTER THE SERIES OF ECONOMIC SUMMIT MEETINGS
THAT THE PRESIDENT HAS BEEN CONDUCTING, WHICH HAD GIVEN
RISE TO HIGH EXPECTATIONS UNQUOTE.

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